CANADA-BRITISH COLUMBIA CROP INSURANCE

FINANCIAL STATEMENTS AND SELECTED STATISTICS

For the Year Ended March 31, 1988

Agriculture Canada

Province of British Columbia
Ministry of
Agriculture and Fisheries

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CANADA - BRITISH COLUMBIA
CROP INSURANCE

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AND SELECTED STATISTICS

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CANADA - BRITISH COLUMBIA CROP INSURANCE ANNUAL REPORT FOR THE YEAR ENDING MARCH 31, 1988

Objective and Background

The objective of the Crop Insurance Program is to stabilize farm income fluctuations on an individual basis due to crop losses resulting from natural perils and thus reduce the need for ad hoc assistance.

Crop Insurance was first offered to tree fruit farmers in 1967 and to grain, grape and berry farmers in 1968. Since then the Program has been expanded to seven (7) plans comprising 27 insurable commodities. These are listed in Appendix 'A'.

Coverage may be offered to a maximum level of 80% of average yield. Extended coverage is available to protect against loss of certain perennial plants as well as the failure to seed grain due to excessive moisture. Hail spot loss coverage is also included in the grain plan.

The Government of Canada provides financial assistance to the Canada-British Columbia Crop Insurance Program by contributing 50 percent of the total premium required each year. The federal government's contribution to this program totalled $ 5 million for 1987 - 88.

The Government of British Columbia contributes all of the administration costs, totalling approximately $ 2.9 million for 1987 - 88.

The plans are delivered from seven (7) field offices. The Head Office is located in Victoria. (See the Organization Chart for details.)

Summary of 1987 Experience

In 1987, 2734 farmers insured crops for coverage totalling $87.2 million. Although adverse weather caused some losses, overall, premiums of $10 million exceeded claims by $3 million. Losses were highest in honey and forage crops where claims exceeded premiums. Claims and premiums were equal in tree fruits while premiums exceeded claims in the vegetable, berry, grape and grain plans.

Underwriting losses in vegetable, forage and honey crops were primarily due to drought and in grain and berries mainly due to excessive moisture. Freeze caused losses in grapes while hail was the major contributor to tree fruit losses.

Further details are provided in the Selected Statistics.

Appeals

The Contract of Insurance allows an insured farmer to appeal a decision regarding a claim where agreement cannot be reached with the insurer. The appeals are heard by the Arbitration Tribunal consisting of the Chairman, Mr. Max Newby, of Baker, Newby and Company, Chilliwack, a representative appointed by the appellant and a representative appointed by the appropriate Crop Insurance Advisory Committee.

Fifteen (15) applications appeals pertaining to 1987 Crop claims were received. Eight (8) of the appeals were granted awards totalling $47,600 which was 11% of the potential claim value. The remainder were denied or rejected. The appeal process is seen as a desirable way of settling claim disputes which cannot be settled between the insurer and the insured.

Advisory Committees

Advisory committees are established for each plan comprised of farmers growing one or more of the commodities in the plan. The committees meet several times a year with Crop Insurance Staff.

The purpose of these meetings is to provide an opportunity for affected farmers to have input into the design and development of the program and for the administrators to gain from the advice and views offered. The names of the current advisory committee members for each plan are shown in Appendix "B".

Future Direction and Goals

The primary objective of the program continues to be to insure a high proportion of farmers for crop loss due to weather perils while maintaining an actuarily sound program. Several goals have been established to achieve this.

1) Increased Participation:

   The proportion of farmers and crop area insured under the program varies among plans. Grain, tree fruit and grape plans have high participation rates while marketing and sales efforts are continuing in an effort to increase participation in the vegetable, forage, berry and honey plans.

2) Reduce Program Debt:

While premiums exceeded indemnities by $3 million in 1987 the current debt from accumulated underwriting losses remains high at $15 million. The application of sound underwriting principles to accurately assess risk is seen as the critical factor in reducing the debt. An understatement of risk results in unnecessary losses while an overstatement of risk results in low participation, particularly among low risk farmers.

New underwriting systems were introduced in several plans including forage, berries, vegetables and honey in 1987. Similar systems are under development in other plans.

3) Increased Efficiency:

Increased efficiency is required to achieve the goals of increased participation and debt reduction while maintaining current staffing levels. This will be assisted through automation of the program which is now in the planning stage.

APPENDIX "A"

COMMODITIES COVERED UNDER THE CROP INSURANCE PROGRAM IN 1987

Plan	Commodity
Tree Fruit	Apples, Peaches, Apricots, Pears Plums and Cherries
Grapes	Grapes
Berries	Strawberries, Raspberries, Blueberries and Cranberries
Vegetables	Beans, Peas, Carrots, Onions, Potatoes, Corn, Broccoli, Brussel Sprouts, Cabbage and Cauliflower
Grain	Wheat, Rapeseed, Oats and Barley
Forage and Livestock Feed Security	Forage
Honey	Honey

APPENDIX "B'

ADVISORY COMMITTEE MEMBERS AS OF MARCH 31, 1988

Tree Fruit

Jim Campbell (Chairman), Osoyoos

John Schmidt, Winfield

Frank Lauer, Summerland

Gordon Ivans, Kelowna

Ken Hayter, Kaleden

Joe Petretta, Kelowna

Vegetables

Jim Harris (Chairman), Delta

Ron Harris, Delta

Henry Wigand, Agassiz

Robert Savage, Delta

Jesse Alamwala, Abbotsford

Henry Krause, Aldergrove

Grain

Joe Bell (Chairman), Cecil Lake

Gordon Hill, Taylor

Don Pederson, Dawson Creek

Malcolm Lucas, Baldonnel

Garry Scott, Dawson Creek

Larry Vander Linden, Clayhurst

Diedrich Loewen, Altona

Dave Close, Ft. St. John

Forage

Norman Hudson (Chairman), Horsefly

Whitney Montray, Vanderhoof

Ethelann Stewart, Baldonnel

Russell Ross, Lone Butte

Earle Russel, Prince George

Grapes

Doug Sperling (Chairman), Kelowna

Guy Wilson, Naramata

Sue Irvine, Naramata

Honey

Dale Hanson, Farmington

William (Bill) Ruzicka, Kelowna

Berries

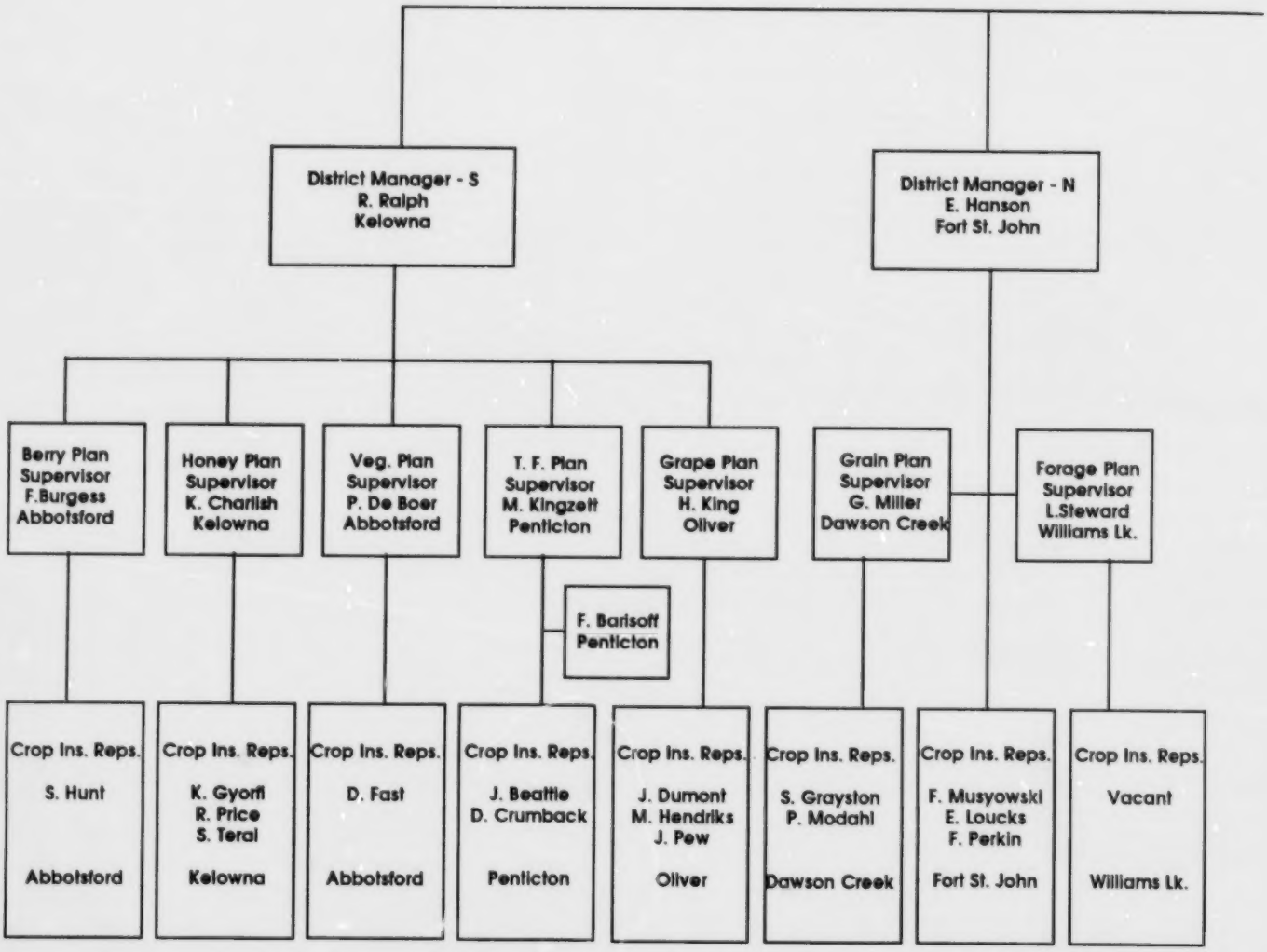
Heinz Knoedler (Chairman), Richmond

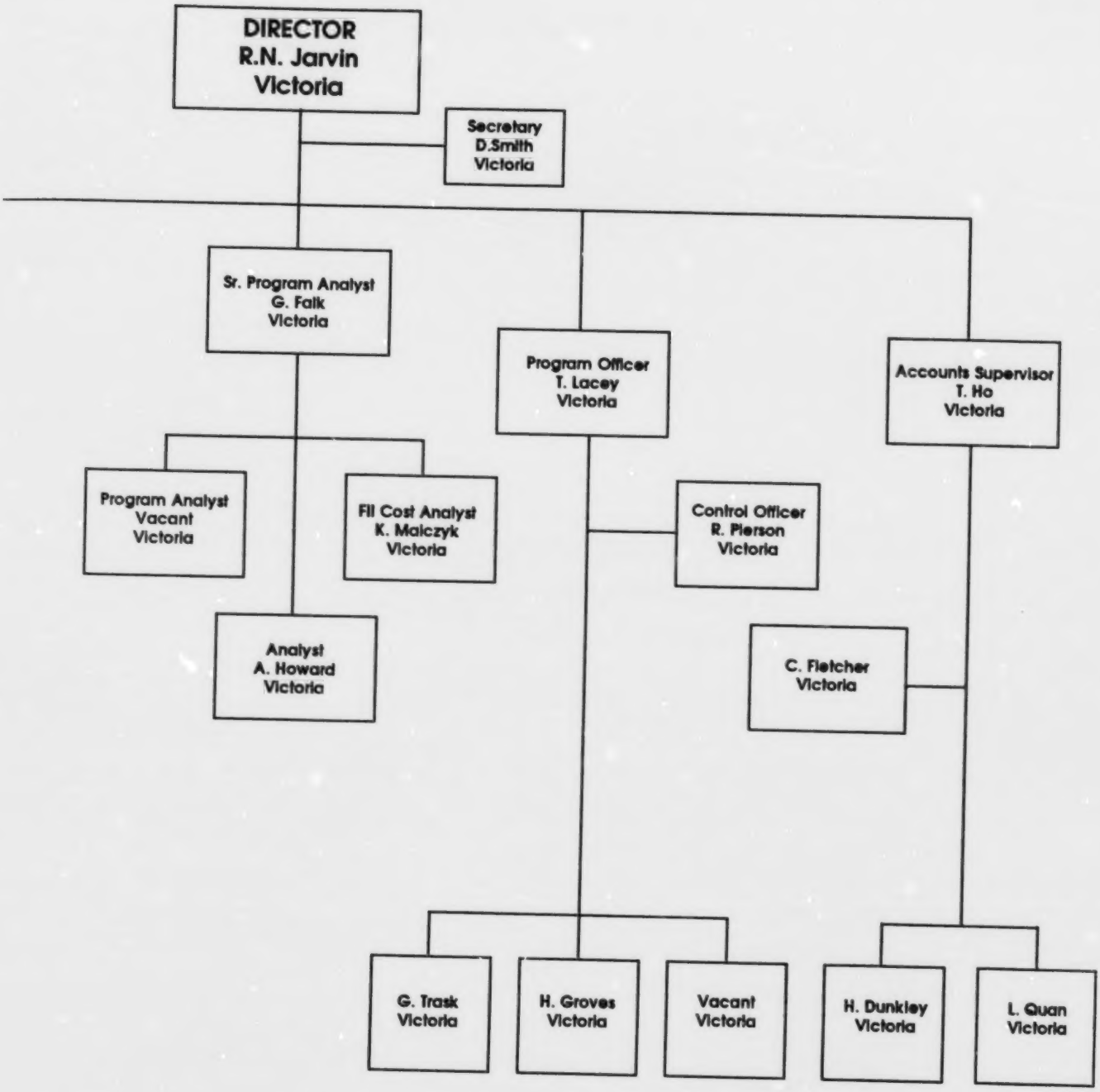
Jim Gaskin, Richmond

Harvey Krause, Aldergrove

Raj Bathe, Abbotsford

FARM INCOME AND CROP INSURANCE BRANCH
MINISTRY OF AGRICULTURE AND FISHERIES
ORGANIZATIONAL CHART
AS OF MARCH 31, 1988




DIRECTOR
R.N. Jarvin
Victoria
Secretary
D.Smith
Victoria
Sr. Program Analyst
G. Falk
Victoria
Program Officer
T. Lacey
Victoria
Accounts Supervisor
T. Ho
Victoria
Program Analyst
Vacant
Victoria
FII Cost Analyst
K. Malczyk
Victoria
Control Officer
R. Pierson
Victoria
Analyst
A. Howard
Victoria
C. Fletcher
Victoria
G. Trask
Victoria
H. Groves
Victoria
Vacant
Victoria
H. Dunkley
Victoria
L. Quan
Victoria

B.C. MINISTRY OF AGRICULTURE AND FISHERIES
CROP INSURANCE

Victoria, Canada

Auditors' Report

Financial Statements - March 31, 1988

KPMG Peat Marwick

Chartered Accountants

2400-1055 West Georgia Street
P.O. Box 11150, Royal Centre
Vancouver, B.C. V6E 3P3

Telephone (604) 662-5500
Telex 0454218 VERITATEM VCR
Telefax (604) 662-5576

AUDITORS' REPORT

We have examined the balance sheet of the B.C. Ministry of Agriculture and Fisheries - Crop Insurance Branch as at March 31, 1988 and the statement of revenue, expenditure and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Branch as at March 31, 1988 and the results of its operations for the year then ended in accordance with the accounting principles described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Peat Marwick

Chartered Accountants

Vancouver, Canada
June 3, 1988

B.C. MINISTRY OF AGRICULTURE AND FISHERIES -
CROP INSURANCE BRANCH

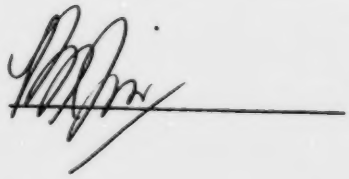
Balance Sheet

March 31, 1988

(With comparative figures for 1987)

	1988	1987
Assets		
Due from the Ministry of Finance and Corporate Relations	$ 1,117,712	194,680
Premiums receivable:		
Due from insured growers	4,274,047	3,948,204
Premiums subsidy receivable from the Government of Canada	4,240,122	3,910,265
	$ 9,631,881	8,053,149
Liabilities and Deficit		
Provision for losses incurred	$ 560,000	660,000
Unearned premiums	4,758,743	4,370,688
Advances from the Ministry of Finance and Corporate Relations (Note 3)	15,200,000	16,500,000
	20,518,743	21,530,688
Deficit, per accompanying statement	(10,886,862)	(13,477,539)
	$ 9,631,881	8,053,149

See accompanying notes to financial statements.



Director

B.C. MINISTRY OF AGRICULTURE AND FISHERIES -
CROP INSURANCE BRANCH

Statement of Revenue, Expenditure and Deficit

Year ended March 31, 1988

(With comparative figures for 1987)

	1988	1987
Revenue:		
Crop insurance premiums:		
Premiums from insured growers	$ 5,147,855	5,181,238
Premiums subsidy from the Government of Canada	5,158,929	5,178,043
Interest on overdue accounts	15,121	6,676
	10,321,905	10,365,957
Expenditure:		
Losses incurred	7,731,228	14,833,490
Excess of revenue over expenditures (expenditures over revenue)	2,590,677	(4,467,533)
Deficit, beginning of year	(13,477,539)	(9,010,006)
Deficit, end of year	$(10,886,862)	(13,477,539)

See accompanying notes to financial statements.

B.C. MINISTRY OF AGRICULTURE AND FISHERIES -
CROP INSURANCE BRANCH

Notes to Financial Statements

March 31, 1988

The Crop Insurance scheme, introduced in 1967, was established to stabilize farm income by minimizing, at an individual level, the detrimental economic effects of crop losses due to uncontrollable natural perils. Commodities insured under the scheme are grouped into eight programs: tree fruit, grain, forage, grape, berry, vegetable, honey and livestock feed.

1. Authority:

The Crop Insurance scheme is administered by the Province of British Columbia ("the Province"), Ministry of Agriculture and Fisheries under the authority of the Insurance for Crops Act, R.S.B.C. Chapter 202. The Act gives the Minister of Agriculture and Fisheries the authority to enter into an agreement with Her Majesty the Queen in the Right of Canada ("Federal Government") on crop insurance.

2. Significant accounting policies:

(a) Basis of reporting:

The Crop Insurance scheme financial position and activities are reported in accordance with the Financial Administration Act, and Regulations and Treasury Board Policies and Guidelines.

(b) Premiums subsidy from the Government of Canada:

The Crop Insurance Agreement between the Federal Government and the Province requires the Federal Government to match crop insurance premiums received from insured growers. Under the agreement the Province is required to advance the federal contribution to the Crop Insurance Branch ("Branch") and apply for reimbursement from the Federal Government. Premiums subsidy from the Federal Government has been accrued as it is the opinion of management that premiums receivable from insured growers will be collected and are eligible for federal contribution.

(c) Premium revenue:

Premium revenue is included in income on a pro rata basis over the life of the insurance contracts.

Under generally accepted accounting principles for property and casualty insurance companies, in those instances where anticipated future claims and expenses exceed unearned premiums, a provision for premium deficiency is recorded. Due to the nature of operations of the Crop Insurance scheme, the Branch does not record a provision for premium deficiency.

(d) Provision for losses incurred:

Losses are charged to income as incurred. The provision for losses incurred represents the accumulation of estimates from reported losses and those incurred but not reported. The methods of determining such estimates and establishing resulting provisions are continually reviewed and updated, and adjustments resulting therefrom are included in income currently. Since the provision is necessarily based on estimates, the ultimate liability may be more or less than the provision.

(e) Allowance for doubtful accounts:

Credit is normally granted to insureds for the amount of premium, until the insured crop is harvested.

Since losses due to uncollectible accounts have been immaterial in the past no provision is made.

3. Advances from the Ministry of Finance and Corporate Relations:

The Province, in accordance with R.S.B.C. Chapter 202 of the Insurance for Crops Act, has advanced a total of $15,200,000 on an unsecured, interest-free basis to the Branch to fund the premium deficiency.

In July 1987, the Insurance for Crops Act was amended to increase the Ministry of Finance and Corporate Relations Crop Insurance stablization appropriation limit from $20,000,000 to $25,000,000.

4. Costs borne by the Province:

The Crop Insurance Agreement between the Federal Government and the Province requires the Province to pay all the administration costs of the Crop Insurance scheme. Further, the above mentioned agreement states that the premium payable should be revised annually in such a manner as will keep the Crop Insurance scheme self-sustaining. Due to heavy losses in recent years and resulting financial stress to growers, premiums have not increased sufficiently to offset losses. The resulting deficit has been funded through advances from the Ministry of Finance and Corporate Relations (see Note 3). The following schedule discloses contributions of the Province, both to pay administration costs and the estimated cost to the Province of advancing monies on an interest-free basis to the Branch:

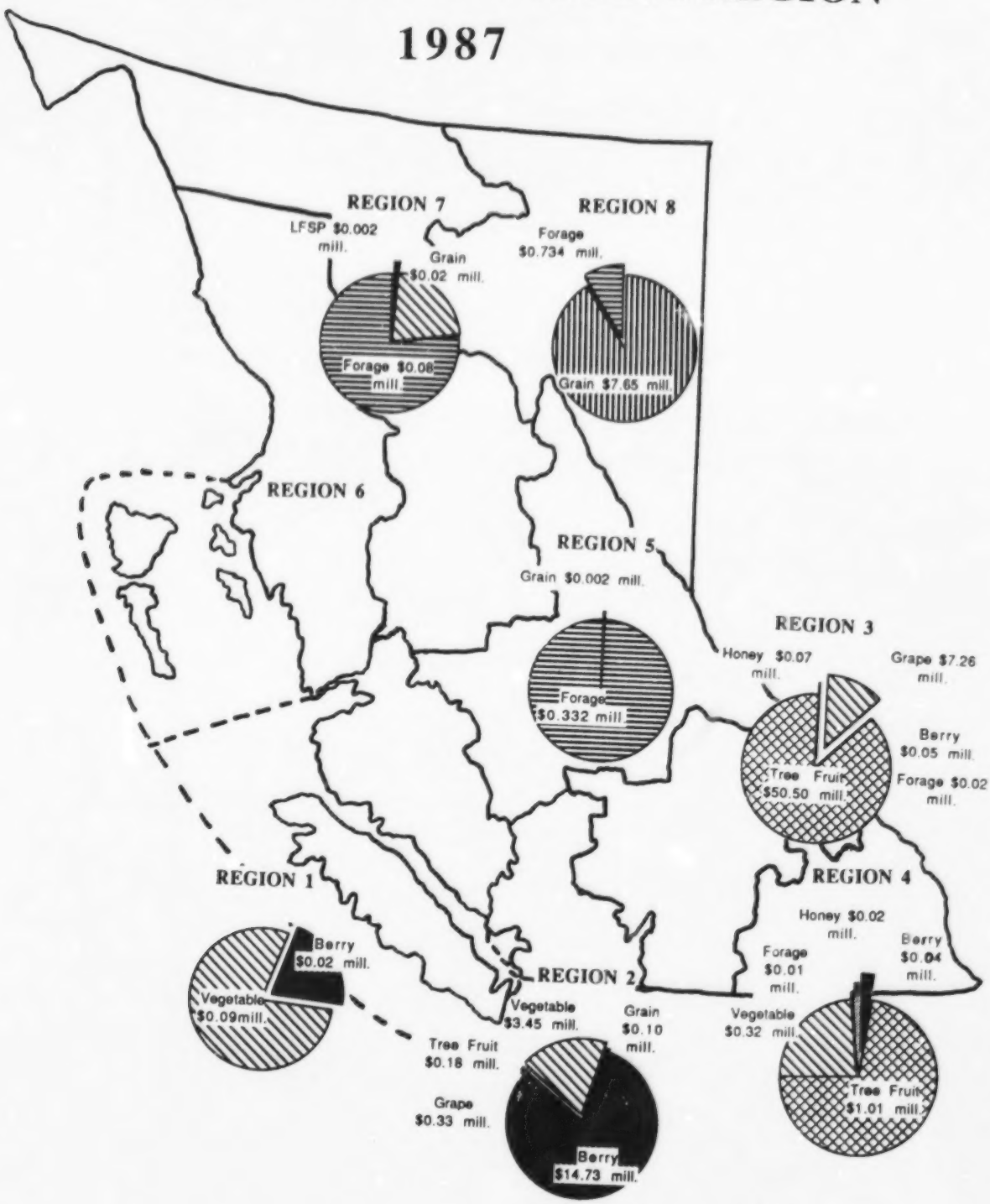
	1988	1987
Administration costs:		
Automobile expenses	$ 31,700	25,900
Data processing	116,800	61,500
Machinery and equipment	3,900	9,300
Meetings and staff training	-	4,700
Members' allowances and expenses	9,900	1,900
Miscellaneous supplies and services	4,500	1,400
Office equipment	900	4,100
Printing and stationery	10,400	14,000
Professional services	32,800	60,600
Rent	73,200	80,000
Salaries and benefits	991,600	833,600
Travelling expenses	46,900	48,700
	1,322,600	1,145,700
Estimated cost of borrowing funds which have been advanced on an interest-free basis to the Branch	1,563,000	1,291,000
	$ 2,885,600	2,436,700

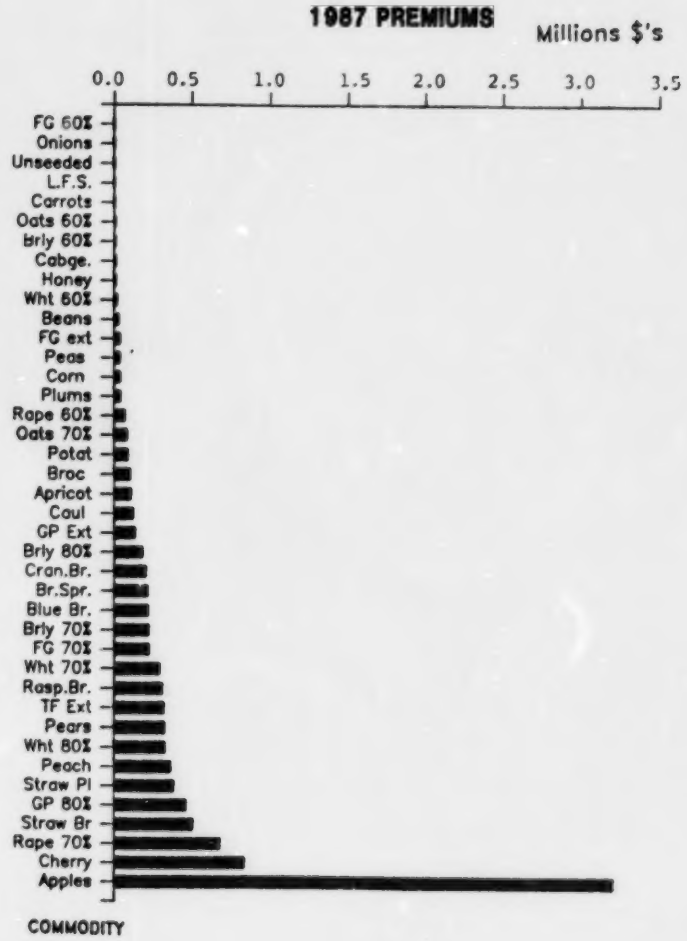
5. Statement of Changes in Financial Position:

A Statement of Changes in Financial Position has not been prepared as it would provide no significant additional information.

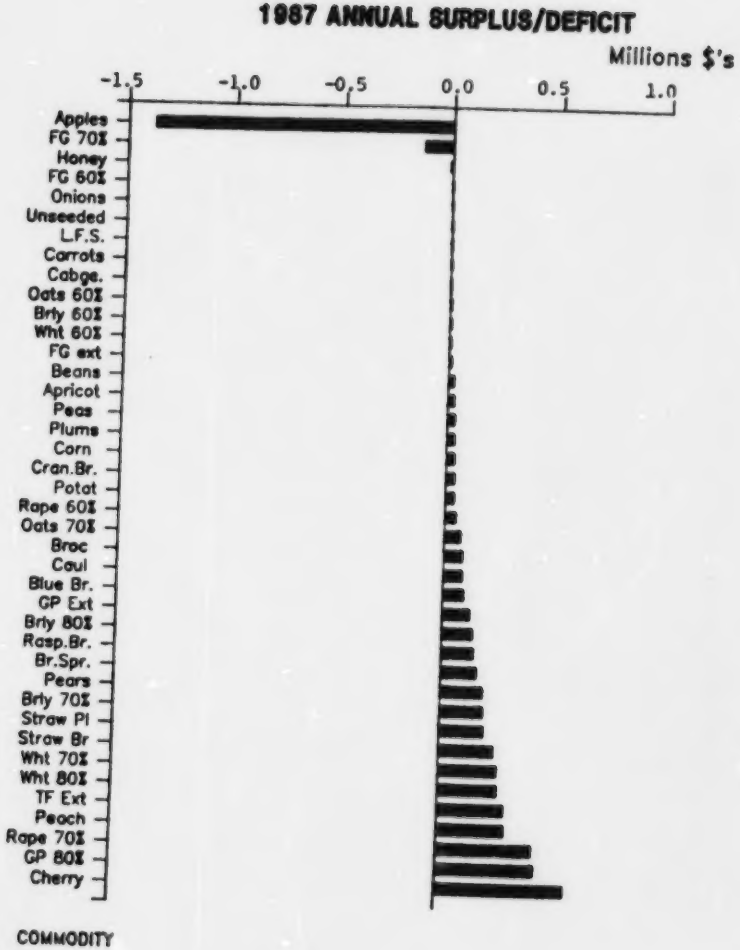
SELECTED STATISTICS

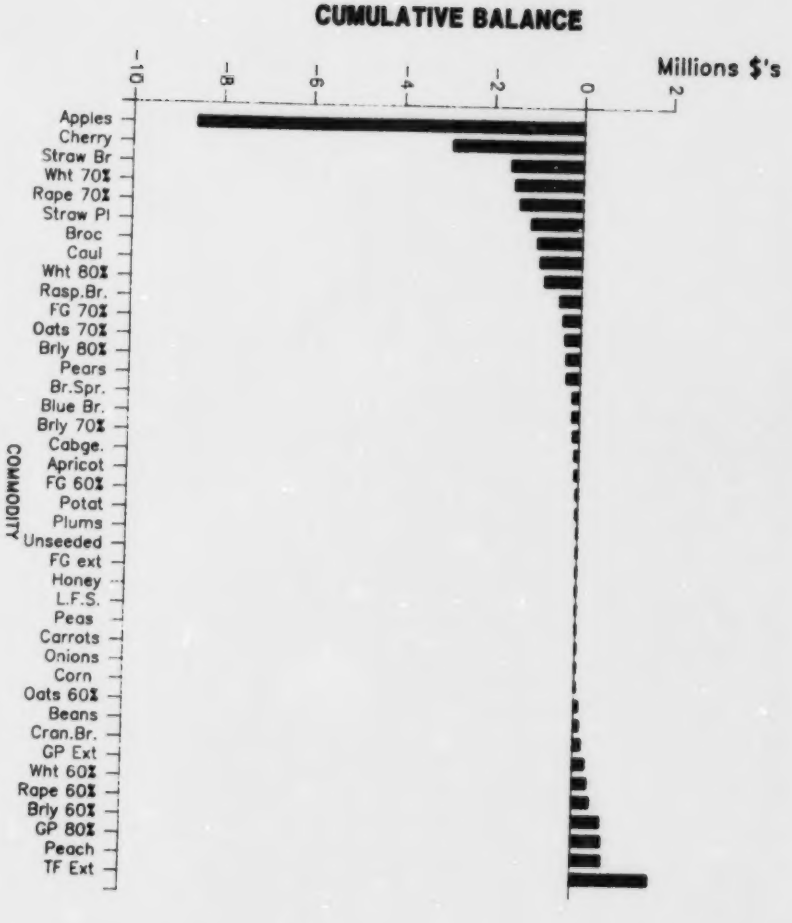
CROP INSURANCE COVERAGE
BY
ECONOMIC DEVELOPMENT REGION
1987




1987 PREMIUMS
Millions $'s
0.0
0.5
1.0
1.5
2.0
2.5
3.0
3.5
FG 60%
Onions
Unseeded
L.F.S.
Carrots
Oats 60%
Brly 60%
Cabge.
Honey
Wht 60%
Beans
FG ext
Peas
Corn
Plums
Rape 60%
Oats 70%
Potat
Broc
Apricot
Caul
GP Ext
Brly 80%
Cran.Br.
Br.Spr.
Blue Br.
Brly 70%
FG 70%
Wht 70%
Rasp.Br.
TF Ext
Pears
Wht 80%
Peach
Straw Pl
GP 80%
Straw Br
Rape 70%
Cherry
Apples
COMMODITY

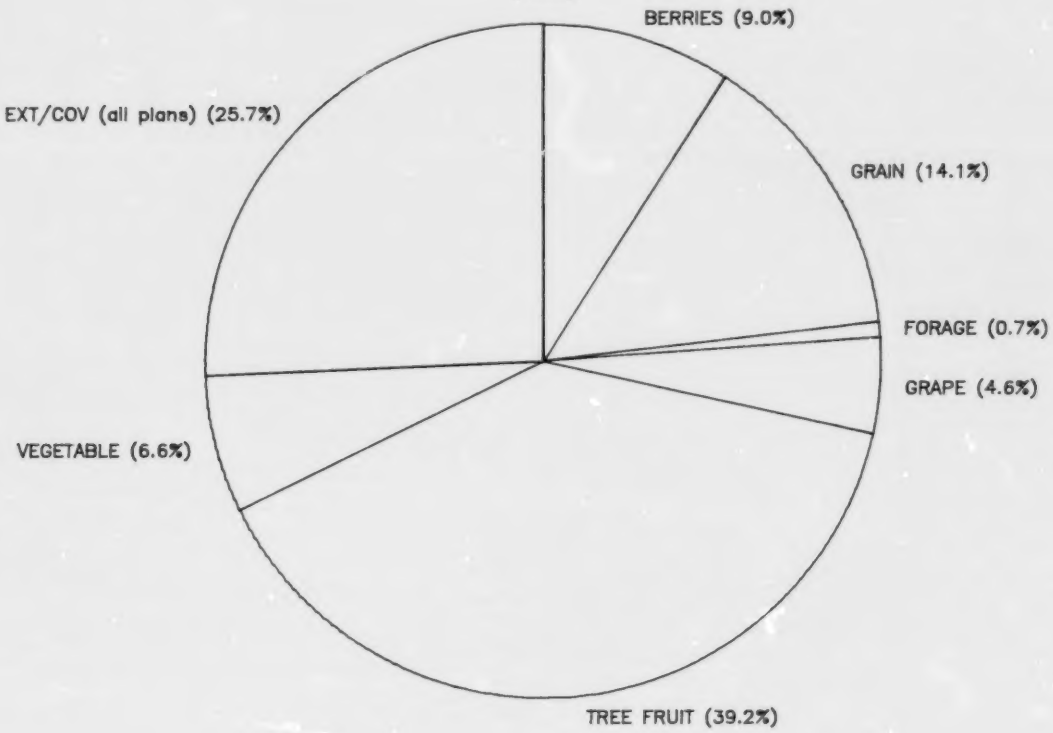
1987 INDEMNITIES
Millions $'s
0.0
1.0
2.0
3.0
4.0
5.0
FG 60%
Onions
Unseeded
L.F.S.
Carrots
Corn
Brly 60%
Oats 60%
Beans
Peas
Plums
Oats 70%
Cabge.
GP Ext
Wht 60%
GP 80%
TF Ext
Broc
Rape 60%
Honey
Brly 70%
Wht 70%
FG ext
Caul
Brly 80%
Potat
Br.Spr.
Peach
Wht 80%
Apricot
Blue Br.
Pears
Rasp.Br.
Cran.Br.
Straw Pl
Rape 70%
Cherry
Straw Br
FG 70%
Apples
COMMODITY


1987 ANNUAL SURPLUS/DEFICIT
Millions $'s
-1.5
-1.0
-0.5
0.0
0.5
1.0
Apples
FG 70%
Honey
FG 60%
Onions
Unseeded
L.F.S.
Carrots
Cabge.
Oats 60%
Brly 60%
Wht 60%
FG ext
Beans
Apricot
Peas
Plums
Corn
Cran.Br.
Potat
Rape 60%
Oats 70%
Broc
Caul
Blue Br.
GP Ext
Brly 80%
Rasp.Br.
Br.Spr.
Pears
Brly 70%
Straw Pl
Straw Br
Wht 70%
Wht 80%
TF Ext
Peach
Rape 70%
GP 80%
Cherry
COMMODITY


CUMULATIVE BALANCE
Millions $'s
-10
-8
-6
-4
-2
0
2
Apples
Cherry
Straw Br
Wht 70%
Rape 70%
Straw Pl
Broc
Caul
Wht 80%
Rasp.Br.
FG 70%
Oats 70%
Brly 80%
Pears
Br.Spr.
Blue Br.
Brly 70%
Cabge.
Apricot
FG 60%
Potat
Plums
Unseeded
FG ext
Honey
L.F.S.
Peas
Carrots
Onions
Corn
Oats 60%
Beans
Cran.Br.
GP Ext
Wht 60%
Rape 60%
Brly 60%
GP 80%
Peach
TF Ext
COMMODITY

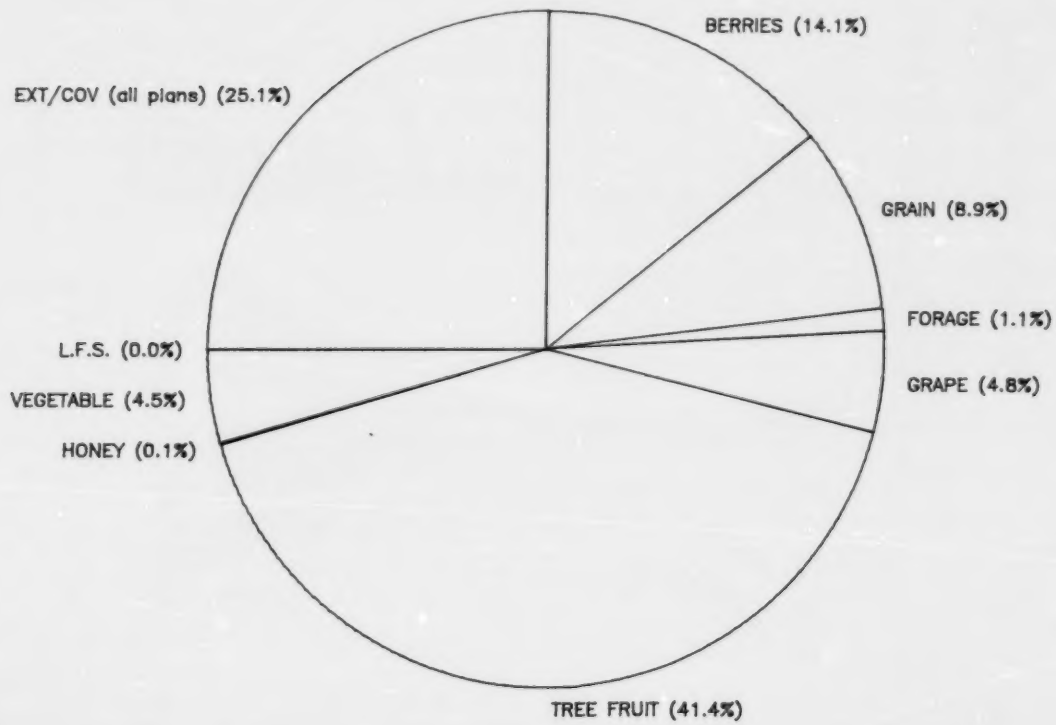
PROPORTION OF TOTAL COVERAGE BY PLAN

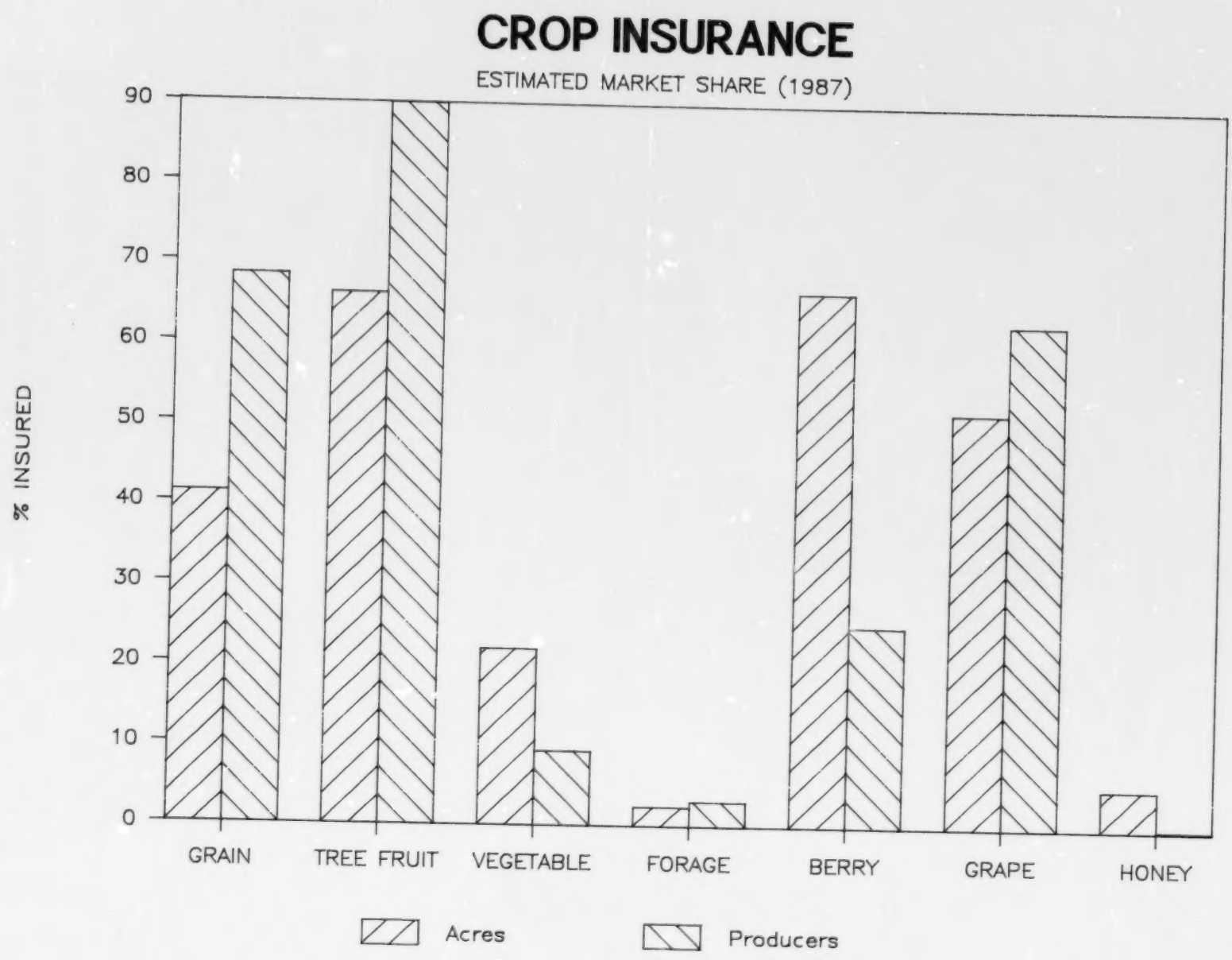
(1986)



PROPORTION OF TOTAL COVERAGE BY PLAN

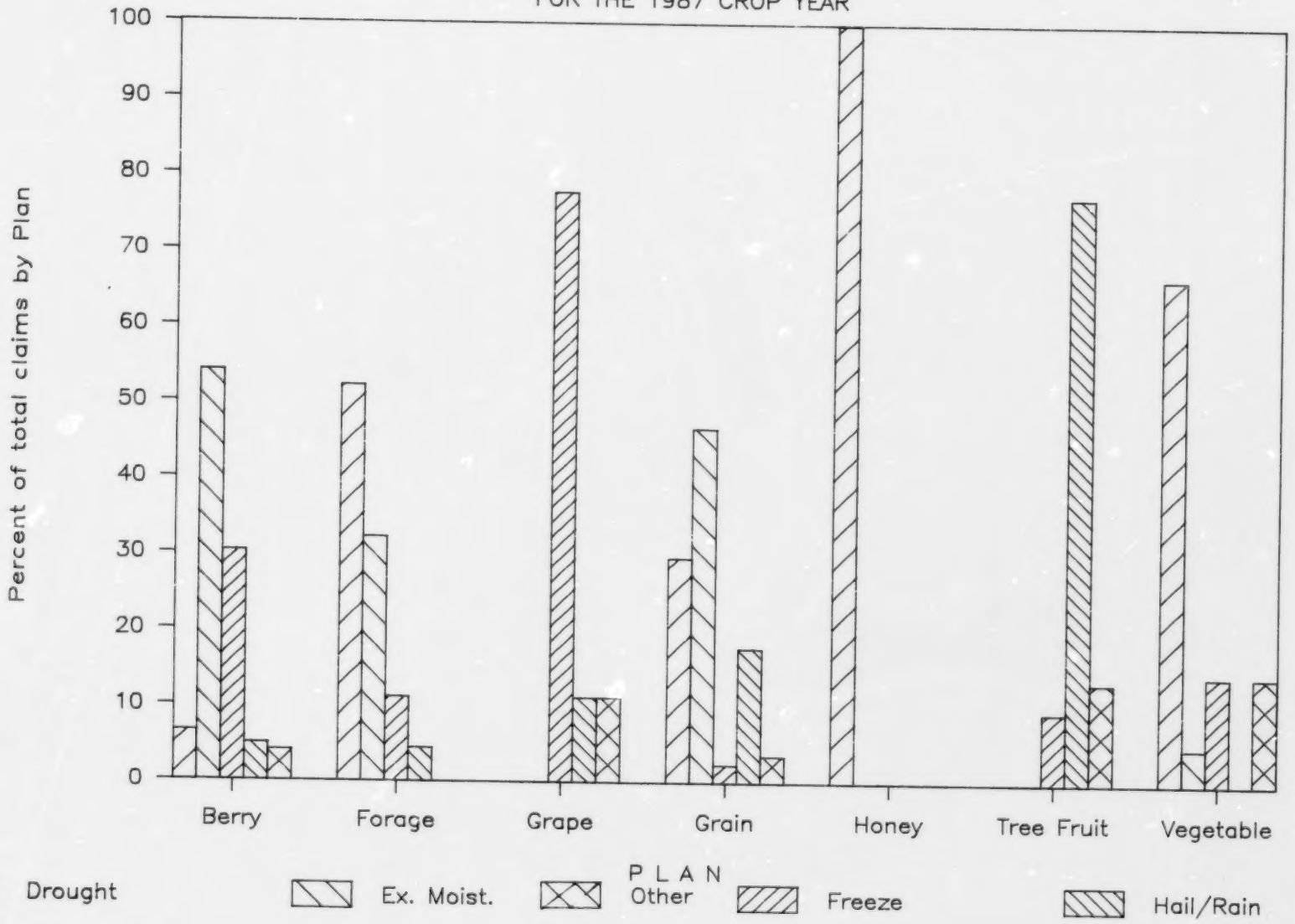
(1987)




CROP INSURANCE
ESTIMATED MARKET SHARE (1987)
% INSURED
90
80
70
60
50
40
30
20
10
0
GRAIN
TREE FRUIT
VEGETABLE
FORAGE
BERRY
GRAPE
HONEY
Acres
Producers

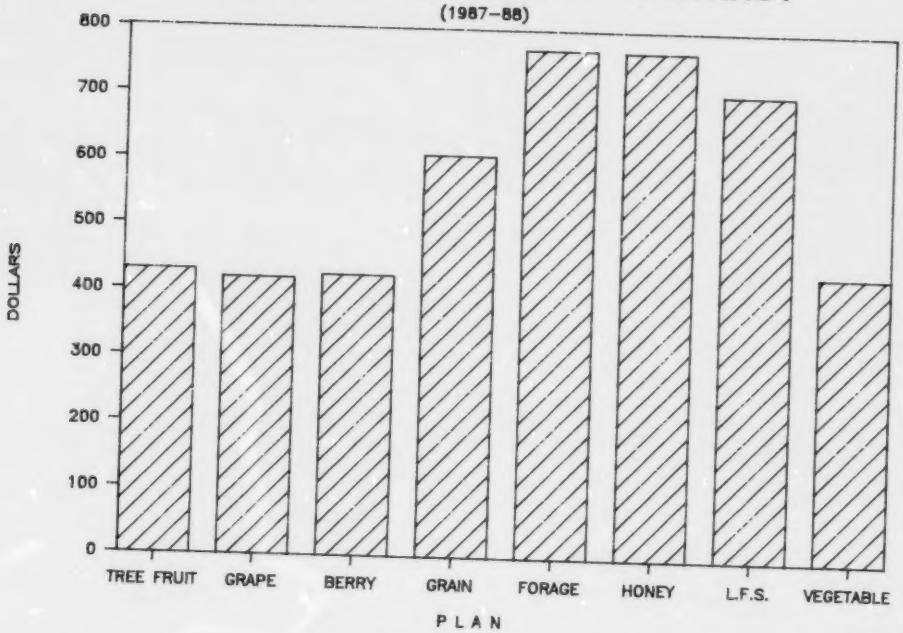
CAUSES OF LOSS

FOR THE 1987 CROP YEAR



ADMINISTRATION COST PER CONTRACT

(1987–88)



ADMINISTRATION COST BY PLAN

(1987–88 – $1,322,585)